



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ELLIOTT COUNTY  
SHERIFF'S SETTLEMENT - 2000 TAXES AND  
SHERIFF'S SETTLEMENT - 2000 UNMINED COAL TAXES**

**June 13, 2001**

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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Charles R. Pennington, Elliott County Judge/Executive  
Honorable Ronald Stephens, Elliott County Sheriff  
Members of the Elliott County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the Elliott County Sheriff's Settlement - 2000 Taxes and 2000 Unmined Coal Taxes.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Elliott County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE  
ELLIOTT COUNTY  
SHERIFF'S SETTLEMENT - 2000 TAXES AND  
SHERIFF'S SETTLEMENT—2000 UNMINED COAL TAXES**

**June 13, 2001**

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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ELLIOTT COUNTY**

#### **SHERIFF'S SETTLEMENT - 2000 TAXES AND 2000 UNMINED COAL TAXES**

**June 13, 2001**

Berger & Ross, PLLC has completed the audit of the Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement 2000 Unmined Coal Taxes for Elliott County Sheriff as of June 13, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Sheriff collected net taxes of \$783,165 for the districts for 2000 taxes. Sheriff distributed taxes of \$782,177 to the districts for 2000 Taxes. Taxes of \$4 are due to the districts from the Sheriff and refunds of \$22 are due to the Sheriff from the taxing districts.

#### **Debt Obligations:**

None.

#### **Report Comments:**

None.

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

#### **Subsequent Event:**

None.



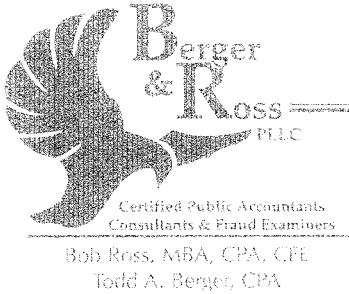


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To the People of Kentucky  
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Dana Mayton, Secretary, Revenue Cabinet  
Honorable Charles R. Pennington, Elliott County Judge/Executive  
Honorable Ronald Stephens, Elliott County Sheriff  
Members of the Elliott County Fiscal Court

#### Independent Auditor's Report

We have audited the Elliott County Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement - 2000 Unmined Coal Taxes as of June 13, 2001. These tax settlements are the responsibility of the Elliott County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Elliott County Sheriff's taxes charged, credited, and paid as of June 13, 2001, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
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Finance and Administration Cabinet  
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In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
June 26, 2002

ELLIOTT COUNTY  
RONALD STEPHENS, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES

June 13, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 126,975	\$ 130,220	\$ 380,921	\$ 118,566
Tangible	1,568	643	5,099	2,510
Intangible	-	-	-	1,974
Fire Acreage	2,567	-	-	-
Oil, Gas, UND, Sand, Lm, Gr.	3,598	3,670	10,795	3,370
Total Per Sheriff's Official Receipt	\$ 134,708	\$ 134,533	\$ 396,815	\$ 126,420
<u>Other Taxes and Charges</u>				
Correcting Erroneous Assessments	28	28	84	26
Penalties & Interest	1,512	1,489	4,483	1,215
Franchise Corporation	14,371	12,773	45,849	-
Gross Chargeable to Sheriff	\$ 150,619	\$ 148,823	\$ 447,231	\$ 127,661
<u>Credits</u>				
Exonerations	\$ 2,247	\$ 2,286	\$ 6,731	\$ 2,114
Delinquents	5,824	5,852	17,242	5,358
Discounts	1,631	1,623	4,792	1,539
Total Credits	\$ 9,702	\$ 9,761	\$ 28,765	\$ 9,011
Net Tax Yield	\$ 140,917	\$ 139,062	\$ 418,466	\$ 118,650
Less: Commissions*	6,276	5,782	16,739	5,330
Taxes Due Districts	\$ 134,641	\$ 133,280	\$ 401,727	\$ 113,320
Taxes Paid	134,475	133,115	417,972	113,157
Less: Refunds (Current & Prior Year)	169	170	508	159
Less: Commission Refunds From School			(16,739)	
		**		
Refund Due Sheriff				
as of Completion of Fieldwork	\$ (3)	\$ (5)	\$ (14)	\$ 4

\* and \*\* See Page 4

The accompanying notes are an integral part of the financial statement.

ELLIOTT COUNTY  
RONALD STEPHENS, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES

June 13, 2001

(Continued)

*Commissions:	10% on	\$	10,000
	4.25% on	\$	388,629
	4% on	\$	418,466

\*\*Special Taxing Districts:

Health District	\$	(2)
Extension District		1
Soil Conservation District		(1)
Ambulance		<u>(3)</u>
Refunds Due Sheriff	\$	<u><u>(5)</u></u>

The accompanying notes are an integral part of the financial statement.

ELLIOTT COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 13, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statements. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 13, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

ELLIOTT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 13, 2001  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 16, 2000 through April 30, 2001.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2000. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 2001 through April 30, 2001.

Note 4. Interest Income

The Elliott County Sheriff earned \$1,195 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Elliott County Sheriff collected \$6,125 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Elliott County Sheriff collected \$660 of advertising costs allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.



REPORT ON COMPLIANCE  
AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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#### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the Elliott County Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement - 2000 Unmined Coal Taxes as of June 13, 2001, and have issued our report thereon dated June 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Elliott County Sheriff's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Elliott County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to these financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
June 26, 2002

